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## Brazil

## Livestock and Products

## Annual Report

## 2004

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**Report Highlights:**

Beef and pork production are projected to increase in 2005 reflecting higher domestic demand due to improved economic conditions. A lower unemployment rate and higher per capita disposable income are expected to stimulate demand for animal protein. Beef exports will continue to increase at significant rates, while pork exports will likely recover next year.

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Includes PSD Changes: Yes  
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Annual Report  
Brasilia [BR1]  
[BR]

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## Executive Summary

Cattle inventories continue to expand in Brazil in response to favorable returns to producers, higher investments in animal genetics, and improved pasture and management practices. Competition for land in the major producing areas of the center-west region, mostly from soybeans and sugarcane, have prompted a new movement of cattle towards the north region, mostly to areas located in the pre-Amazon, such as the states of Mato Grosso and Para.

Beef production is expected to increase by 5 percent in 2005, driven mostly by higher domestic demand for beef resulting from a rebound in economic growth and continued expansion of beef exports. Increased beef exports result from Brazil's competitive advantages, favorable exchange rates, BSE in other countries, and aggressive market promotion efforts.

Pork production is also forecast to increase in 2005, although at a lower rate than in the past few years, mostly driven by higher domestic consumption and expansion of pork exports. Pork exporters have combined competitive prices with aggressive market promotion efforts in new markets to offset the drop in pork exports to Russia due to the Russian import quotas.

Market analysts project economic growth around 5 percent in 2005, reflecting the results of strong measures in fiscal and monetary policies to curb inflation rates and the public deficit. Spurred by record exports, most sectors of the Brazilian economy increased their capacity utilization to meet a growing world demand for Brazilian goods and an improved domestic demand for durable goods and food. Lower unemployment rates and increased disposable income will likely benefit demand for animal proteins.

## Commodity Outlook, Cattle

### Production

Cattle inventories will continue to increase in 2004/05, reaching nearly 175 million head in 2005, which gives Brazil the largest commercial cattle herd in the world. The calf crop will increase by 3 percent, reflecting higher yields obtained by Brazilian livestock producers. There are several factors contributing to the expansion and improvement of the productivity of the cattle industry in Brazil, of which the following are the most important:

Improved animal genetics, mostly through the use of crossbreeding programs in the center-west regions of the country, is the most significant factor. During the past five years, the use of artificial insemination in beef cattle increased by 55 percent, while for dairy cattle it increased only by 7 percent. Brazilian cattlemen use imported bull semen, such as Red Angus, Angus, Simental, and Limousin to cross with the "Nelore" breed. Brazilian breeders are also using an increasing quantity of Brahman semen imported from the United States.

A second contributing driver is higher enrollment in the Program for Pasture Improvement (PROPASTO), which was created by the Federal Government in 2000. The federal government recently renamed this program "MODERAGRO", which also includes funds for soil erosion and conservation of lowlands. Program funds for the 2004/05 crop year increased by 50 percent, and are expected to reach R\$600 million (approximately US\$ 200 million). Cattle producers use these funds at subsidized interest rates at 8.75 percent per year (commercial rates are 26.5 percent). It is estimated that there are 180 million hectares of pasture in Brazil, of which 60 percent are cultivated (improved) pastures, while the balance is

considered "native" pastures. Improved forage seed production will continue to increase in 2005 due to the MODERAGRO program.

Third, cattle prices in Reals are expected to remain firm during 2005, but could drop in dollar value if the Brazilian currency appreciates from current levels. The current average price for live cattle, paid by "arroba" (15 kilograms), is around US\$20, up from US\$18.70 in 2003.

### Geographical Distribution of Cattle

For the past two decades there has been a movement of cattle towards the Center-West regions. Because of the strong expansion of soybeans in these areas, and more recently competition with sugarcane, the appreciation of land prices in the center-west areas has prompted a movement of cattle breeders towards the Northern region, especially to those areas located in the so-called pre-Amazon (area as not as dense as the rain forests), such as in the southern area of the state of Para, Mato Grosso, and Rondonia. Environmental studies indicate that cattle ranchers are responsible for 75 percent of the deforestation of the Amazon as opposed to wood producers. Analysts say that raising cattle in these areas of the Amazon is 10 percent more profitable than other regions in Brazil land prices are lower than other areas in the Center-South where competition is stronger for crop production (soybeans, cotton, and corn).

The following table provides a geographical distribution of the cattle herd in Brazil, by major regions, based on the ending inventories projected for 2004.

Region	Cattle Herd (1,000 head)	Share (%)
North	26,794	15.8
Northeast	22,555	13.3
Southeast	34,256	20.2
South	25,776	15.2
Center-West	60,202	35.5
TOTAL	169,583	100.0

Source: Office of Agricultural Counselor (OAA).

### Cattle Traceability Program

The Ministry of Agriculture, Livestock, and Food Supply (MAPA) published on January 10, 2002 in the Diario Oficial (Brazil's Federal Register) Normative Instruction Number 1, signed by the Minister of Agriculture, creating the Brazilian System of Identification and Certification of Bovine and Buffalo Origin (SISBOV, in Portuguese). The system was developed to monitor all bovine animals born in Brazil or imported. The animals registered under the SISBOV will be monitored by private certification entities accredited by MAPA. The identification shall include the following: a) identification of the farm of origin; b) identification of the animal; c) month of birth or entry on the farm; d) sex of the animal; e) system of breeding and feeding; f) records of sales; g) additional information for the certification of the animal;

h) sanitary information (vaccination, treatments); i) for imported animals, identification requires: country and farm of origin, date of import authorization and date of entry in Brazil, number of import license and farm of destination; and, j) in the case of slaughter, the meat packer is responsible for filing with MAPA the documents related to the identification of the animal. The cost, per animal, is estimated at US\$2.5, which implies a total cost of approximately US\$400 million to implement the system by the end of 2007.

Since July 2003, only animals registered in the SISBOV program can be slaughtered for export to the European Union. As of July 2004, MAPA's Animal Health Department estimates that there are over 25 million animals under this program, and that currently; about 20 companies are accredited by DDA to conduct traceability in Brazil.

The SISBOV program is facing some serious controversy between cattle breeders on one side and government officials and meat packers on the other side. The core of the controversy has to do with the requirements for tracing cattle to the farm instead of tracing animals individually. These controversies may delay the full implementation of the program.

### **Animal Health Update**

Brazil has made significant progress in eradicating Foot-and-Mouth Disease (FMD). Currently, 15 states out of 26 (50 percent of the national territory) and 84 percent of the cattle herd are free of FMD. The Department of Animal Health (DDA) at MAPA announced in June 2004 that after two and half years of any outbreak of FMD, Brazil experienced a small outbreak in the municipality of Monte Alegre, state of Para, in the Amazon region. Russia and Argentina temporarily suspended imports of beef and swine from Brazil because of the outbreak, but imports were resumed two weeks later. Government officials expect that by the end of 2005 the entire country will be free of FMD as a result of the vaccination program and will meet the deadline established by the National Plan for Eradication of Foot-and-Mouth Disease (PNEFA).

Government officials are proclaiming that Brazil has the largest cattle herd (about 145 million head) in the world free of FMD, with vaccination, officially recognized by the Office of International Epizooties (OIE). The federal government also increased the total amount of funds for animal health programs during 2004/05 from R\$68 million (about US\$23 million) to approximately R\$140 million (US\$47 million). Animal health officials expect that total number of doses of FMD vaccines in 2004 will reach 340 million, up almost 4 percent from the record of 328 million doses in 2003.

Brazil and its neighbors in South America (Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay) created in mid-July 2003 the Permanent Veterinary Council (CVP, in Portuguese) to monitor the FMD situation in the region, exchange technical information on the disease, and work together to acquire international funds to eradicate the disease from these countries, which comprise central and southern South America. The CVP goal is to eradicate FMD from the region by 2009.

The outbreak of FMD in Paraguay prompted several actions by Brazilian animal health officials, of which the most important were: a) suspension of all ruminants and meat products imports from Paraguay; b) donation of 5,000 kits for FMD laboratory analysis; c) assistance by Brazilian specialists in eradication of FMD in Paraguay, and d) donation of one million doses of vaccine against FMD to Bolivia and 500,000 doses of vaccine to Paraguay as part of the integrated program to eradicate FMD from the Southern Cone and to prevent FMD outbreaks in countries bordering Brazil.

APHIS has completed the FMD risk assessment of Brazil to allow exports of fresh/frozen beef to the United States, but the report is still pending publication.

## Policy

The new Agriculture and Livestock Plan for the 2004/2005 marketing year announced in June of 2003 by the federal government allocates R\$39.5 billion (US\$13 billion) for rural credit, of which R\$10.7 billion (US\$3.6 billion) is for investment credit in the sector, up 86.1 percent from 2003.

Beef cattle producers can benefit from the following investment credit programs, designed to increase cattle productivity and beef production:

a) MODERAGRO (former PROPASTO) is a program for pasture improvement that now includes funds for soil erosion and conservation of low lands). Each livestock producer can borrow up to R\$150,000 (US\$50,000) with a fixed subsidized interest rates of 8.75 percent, per year (market rates are above 14 percent per year). The total amount of financial resources allocated to MODERAGRO during 2004/05 crop year is R\$900 million (US\$300 million), up 50 percent from the previous year.

b) SILO/WAREHOUSE (MODERINFRA). This program allows livestock producers to build or rebuild silos and warehouses on their farms. The program was also modified to include irrigation. Funds allocated to this program during 2004/05 are R\$700 million (US\$233 million), up 40 percent from the previous year. The funds are limited to R\$100,000 (US\$33,000) per livestock producer, with a fixed subsidized interest rate at 8.75 percent per year.

c) MODERFROTA. This program is aimed at the modernization of farmers' agricultural machinery. Total funds allocated to this program during 2004/05 are R\$5.5 billion (US\$2.7 billion), up 175 percent from last year. Major changes introduced under this program for the 2004/05 marketing year include an unlimited amount of credit per producer.

d) FINAME. This program is offered outside of the rural credit lines referred to above, under the auspices of the BNDES (National Bank for Economic and Social Development), and includes long-term subsidized loans for breeding programs and seeds.

e) In addition to the federal programs above, producers and packers are entitled to state and municipal programs and subsidies, of which the most important are the pasture recuperation programs and at the packers level, subsidization of the state tax (ICMS), up to 70 percent, with terms of five to 10 years.

The Constitutional Fund for the center-west region (FCO) is the largest source of funds at subsidized rates for pasture, soil recuperation programs, and improvement of animal genetics. Small cattle producers can also benefit from a variety of other subsidized programs within the new economic objectives of assisting family farmers and improving the social conditions of all small farmers in Brazil.

### Tariff Rate Table

Tariff Number (HTS)	Product Description	Rate (%) *	Other Info
0102.10.10	Breeding Stock	0	
0102.90.90	Bovine for Slaughter	2	Free: Mercosul
0511.10.00	Bovine Semen	0	
0511.99.10	Bovine Embryos	0	

- Assessed on the CIF value of the product
- Updated as of 9/1/2004

### Commodity Outlook, Beef

#### Production

Post projects an increase of 5 percent in beef production in 2005 to reach 8.2 million metric tons. The following factors support our current forecast: a) a rebound in domestic demand of about 4 percent. Higher demand for beef is supported by a projected increase of 5 percent in economic growth next year, which will likely improve employment rates and consumer purchasing power; b) additional funds in the federal budget for social programs to fight hunger and improve nutrition levels of the poor; c) continued expansion in the export market in view of the BSE outbreaks in certain producing countries combined with aggressive marketing efforts by Brazilian packers, and competitive prices; d) major increases in funds available for cattle producers (see policy section under cattle section), and e) expected improvement in the profit margins to breeders because of continued favorable prices for cattle.

Review of 2004. Post revised our estimates for beef production in 2004 to show an increase of 6 percent over the previous year. In addition to the technological improvement of the Brazilian cattle-raising sector, the major force driving an increase in beef production this year is the booming export market combined with an upsurge in domestic demand due to improved economic conditions in the second quarter of the year.

#### Consumption

Domestic consumption of beef in 2005 is expected to increase by 4 percent because of the improved economic conditions of the country, and its positive impact on employment rates and higher disposable incomes. Recent reports indicate that consumer confidence is growing and consumption of durable goods and food is on the rise.

The Zero Hunger Program announced early last year by the Lula Administration has had no impact on beef consumption. Analysts cite limited program funds to bring about an increase in consumption of animal protein, except for milk.

## Trade

Post projects total beef exports (fresh/frozen and processed) in 2005 to reach 1.6 million metric tons (CWE), an increase of 10 percent over 2004. Brazilian beef exports are expected to continue to increase because of the competitiveness of Brazilian beef, the continued impact of adverse animal health conditions in other countries favoring Brazilian sales, and aggressive market promotion efforts, including promotion in new markets. Major target markets for Brazilian beef are China, the Middle East, Russia, and Chile, although the European Union is expected to remain as the main destination for Brazilian beef.

Review of 2004. Beef exports (fresh/frozen), during Jan-June 2004, increased by 36 percent in volume and by 82 percent in value. The average export price increased from US\$ 1,622.24 to US\$ 2,176.88 per metric ton, compared to the same period in 2003. Processed beef exports, during Jan-Jun 2004, increased by 13 percent in volume and by 30 percent in value. The average export price for processed beef increased from US\$ 1,900.09 to US\$ 2,179.18 per metric ton, compared to the same period in 2003. The major destinations for Brazilian beef (mostly fresh/frozen) are Chile, U. K, Russia, and Egypt. Total beef imports during the first half of 2004 decreased by 21 percent in volume, but increased by 14 percent in value, because the average import price increased from US\$ 1,104.21 to US\$ 1,505.86 per metric ton, compared to the same period in 2003.

Brazilian beef exporters have also diversified their product mix. Although the largest increase in exports of cuts during Jan-Jun 2004 was for boneless beef (hindquarters), trade sources indicate that other cuts (forequarters), comprise a larger share of the overall beef exports, mostly to markets in the Middle East and Eastern Europe.

During the negotiations between Mercosul and the European Union, Mercosul requested an export quota for beef of 315,000 metric tons, while the European Union offered only 100,000 metric tons. Negotiations have recently been halted, but they should resume by the end of September 2004.

Note: Differences between export data reported by Brazilian trade sources and those used by Post are due to the use of different conversion factors. Brazilian sources use a 2.5 factor for conversion of processed beef into CWE, while Post uses 1.79 factor. The same applies for boneless beef, as Post uses 1.42 as the conversion factor, while Brazilian trade sources use 1.36.

## Stocks

There are no official stocks of beef in Brazil

## Policy

The National Bank for Economic and Social Development (BNDES) provides meat packing houses (meat plants) subsidized long-term loans to build or modernize their meat packing houses. BNDES does not provide the loans directly to the producer or packer, but through other state and commercial private banks. Total funds allocated under BNDES for the livestock sector are estimated to have increased to US\$300 million in 2004. BNDES also offers the following programs aimed at financing exports, which are used by meat packers:

(1) ACC - Advance on Export Contracts and ACE - Advance of Exchange Delivered:

These programs represent an alternative for exporters to reduce the costs of their export operations. ACC enables an exporter to obtain a cash advance based on the export contract, prior to shipment of the product, while ACE is a cash advance after shipment of the product. Repayment terms are 180 days before or after shipment of the products. The cost to the exporters of obtaining ACC or ACE advances is equal to the international cost of financing exports (LIBOR plus a spread), now approximately 12 percent. There are several ways of combining ACC with other export credit programs, but the two most important for agricultural and food exports are:

- ACC+PROEX. This program combines the benefits of ACC and PROEX programs described above. Established through Circular 2,825 of the Central Bank of Brazil on June 24, 1998, the program is mostly used by exporters of high-value food products or processed agricultural commodities.
- ACC + RURAL. This program allows exporters of coffee and soybeans to obtain cash advances (ACC) on their exports from the Bank of Brazil, using as collateral the rural promissory note (CPR). The advance in cash is limited to 50 percent of the export value of the shipment.

(2) BNDES-Exim:

The main objective of this program is to expand Brazilian exports in general, including agricultural commodities, by making three types of credit lines available to exporters at costs competitive with international financing. The most widely used line of credit is similar to a buyer's or supplier's credit. Financing covers 100 percent of the shipment and repayment terms vary between 181 days to 12 years with interest rates based on LIBOR plus a spread.

This program is also referred to the Brazilian "Eximbank" within BNDES. The amount allocated for this program in 2003 is estimated at US\$4.6 billion, of which meat plants (including poultry) may take up to US\$800 million.

## Marketing

The private, non-profit organization, the Brazilian Beef Processors and Exporters Association (ABIEC), is comprised of the largest beef processors, packers, and exporters. In the past, ABIEC functioned mostly as a national lobbying group with few international market promotion activities. The association emphasized trade servicing, specifically related to the elimination of sanitary barriers to Brazilian beef in the European Union, Asia, and Russia. Since 2001, ABIEC initiated an aggressive market promotion program approved by the National Export Promotion Agency (APEX), in cooperation with the Office of Production and Marketing (SPC) of the Ministry of Agriculture, Livestock, and Food Supply (MAPA). The objective of this program is to promote the brand "Brazilian Beef", emphasizing the product as "natural" (grass-fed beef as opposed to grain-fed beef) and environmentally sound or beneficial.

ABIEC is expected to target markets worldwide but their primary focus will be the European Union that now accounts for nearly 60 percent of Brazilian beef exports. Other markets include the Middle East, Russia, Asia, Latin America (mainly Chile), and the United States. Specific market development activities will concentrate on trade shows, trade servicing, and logistical support to the Brazilian government to remove non-tariff trade barriers to Brazilian beef.

Activities also include publicity on CNN International and reverse marketing (travel to Brazil by foreign importers of beef and specialized journalists). Several foreign teams from the European Union and other countries have visited Brazil during the first part of their market promotion project to evaluate cattle breeding and meat production. Two groups of foreign journalists, also from the European Union, and policy makers have toured cattle producing areas in the Center-West and meat packers in several states.

Nearly 60 percent of Brazil's beef exports originate from five major beef packers (Bertin, Friboi, Independencia, Minerva, and Frigotel). These meat packers have the following strategy to consolidate their market share in overseas markets.

First, they are negotiating with the poultry and pork packers to form a "meat alliance" to discuss common policies in international meat forums.

Second, they plan to open offices in four "key" cities: Washington, Geneva, Brussels, and Tokyo. These offices may evolve into export trading companies formed by the five largest beef exporters.

On June 2004, ABIEC's signed an agreement with APEX in the value of R\$3.6 million (US\$ 1.2 million) for market promotion during 2004/05 marketing year, of which APEX will fund 50 percent. The major promotional initiatives in 2004/05 are trade missions to target markets in Arab countries, China, Malaysia, South Africa, and Russia. In addition, trade show activities in the European Union, such as the Anuga and Sial, remain a priority for Brazilian beef exporters.

ABIEC is also promoting the first Brazilian Beef "Catalog" with all cuts available for exports. The catalog is available in seven languages besides Portuguese: English, French, Spanish, Italian, German, Arabic, and Russian.

Other marketing initiatives for beef include:

- a) Certified "organic beef";
- b) "Patanal" veal. The Pantanal is one of the most important ecological systems in the world, located in the center-west region of Brazil;
- c) Supermarket Beef Certification of Origin Program, mostly carried out by Brazil's largest retail chain, Pao de Acucar, and by French retailer Carrefour, and,
- d) Beef alliances, similar to those in the United States. The most popular beef alliances in Brazil are: "Montana Grill" which sells beef from young steers to steakhouses and supermarkets in Brazil; "Bassi"; "Wessel"; "Red Angus Beef" in the South of Brazil, and "Nelore Natural", mostly in the center-west region of Brazil.

**Tariff Rate table**

<b>Tariff Number</b>	<b>Product Description</b>	<b>Rate (%) *</b>	<b>Other Info</b>
0201.10.10 0202.10.10	Fresh or Frozen Bone-in Beef Cuts or Carcasses	10	Duty-free from Mercosul
0201.30.00 0202.30.00	Fresh or Frozen Boneless Beef	12	Duty-free from Mercosul
0206.10.00	Bovine: Variety Meats	10	Duty-free from Mercosul
0210.20.00	Meat of Bovine Animals	10	Duty-free from Mercosul
1602.50.00	Processed Bovine Meat	16	Duty-free from Mercosul

- Assessed on the CIF value of the product
- Updated as of 9/1/2004.

**Commodity Outlook, Pork****Production**

Post forecasts pork production to increase by two percent in 2005 because of higher domestic demand and a recovery in pork exports. This projection assumes a moderate increase in feed costs since the new Crop Plan announced for 2004/05 injects more subsidized credit to increase corn production. It also assumes that current favorable returns to hog breeders will continue throughout the first half of next year. Brazilian pork exporters also project a moderate devaluation of the Brazilian currency in 2005 that will make the Brazilian product more competitive in world markets.

Our forecast also estimates an increase in hog production in the center-west region due to investments made by national and foreign groups, mostly in the state of Mato Grosso. These investments benefit from long-term federal credit lines as well state development programs. An increase in hog production in the center-west region will off-set a small decline in hog production in the south region of Brazil where hog producers have balanced supply and demand to increase profit margins. The three most southern states of Brazil accounted for 44 percent of swine slaughter in 2003, where the production system is highly vertical.

About 40 percent of Brazilian pork production is concentrated among 10 large pork packers, of which Sadia accounts for 11 percent of production, followed by Perdigao at 8 percent, Aurora accounting for 7 percent, and Seara with 5 percent. Although Seara only accounts for 5 percent of total pork production in Brazil, the company alone accounts for 26 percent of all pork exports.

Review of 2004. Post revised pork production to show a marginal increase in 2004 as opposed to a decline in production as previously estimated. The slight increase in production results from higher pork exports than previously estimated, and some recovery in the domestic demand for pork.

### **Consumption**

Pork consumption in 2005 is expected to recover from 2004 because of the projected improvement of the economy, reduction in unemployment and higher consumer disposable income.

Pork utilization in Brazil is estimated at 70 percent industrial/processing, and 30 percent fresh consumption. A promotional campaign to increase fresh pork consumption, which started in the south, has expanded to other major cities in the southeast. Pork producers remain concerned about the seasonal trend of fresh pork consumption in Brazil that is concentrated during the winter months (June-August), and are trying to address this concern with their campaign to promote the benefits of pork consumption year-round. Pork producers are trying to close the gap between the regions of Brazil in terms of pork consumption. Currently, per capita pork consumption is concentrated in the South with per capita consumption at 18 kilograms and the Southeast at 15 kilograms, while the Center-West (11 kilograms) and Northeast (6 kilograms) regions consume less pork.

### **Trade**

Pork exports are projected to increase by a small rate in 2005, after a decline this year. According to trade sources, although pork exports are still too concentrated in the Russian market, exports to other non-traditional markets are increasing through negotiations to resolve SPS issues and aggressive market promotion.

The volume of pork exports during Jan-Jun 2004 declined by 5 percent. This result is significantly better than previously estimated by pork exporters and reflects increased exports to other markets that offset the decline of exports to Russia. The value of pork exports during Jan-Jun 2004 jumped by 27 percent, due to a higher average price of US\$ 1,411.50 per metric ton, up 34 percent from last year.

The Russian market share of Brazilian pork exports dropped slightly from 62 to 61 percent during Jan-Jun 2004, but Brazilian pork exporters are optimistic that they will account for 77 percent of the Russian quota in 2004. This is because of high volumes of exports to Russia during the first half of the year and the competitive price of Brazilian pork. The increase in the average export price per ton to Russia also reflects increased demand for pork cuts.

The outbreak of Foot-and-Mouth disease in June 2004 in the Amazon region prompted interruptions of pork exports to Argentina and Russia. However, exports were resumed two weeks later.

According to trade sources, the strategy of Brazilian pork exporters to overcome the impact of the Russian quota on pork imports was to diversify their export destinations through an aggressive market promotion effort and competitive prices. During Jan-Jun 2004, pork exports increased to other traditional Brazilian markets, such as South Africa, Singapore, Ukraine, Bulgaria, Armenia, and Lithuania.

## Marketing

In addition to the domestic campaign to increase consumption of fresh pork, Brazilian pork exporters initiated a marketing program in 2002 to expand overseas sales of pork. The program is half financed by the Brazilian Pork Processors and Exporters Association (ABIEPCS) and the other half by the Federal Government Export Promotion Agency (APEX). In 2004, the program has received additional funds of US\$ 1.2 million.

ABIEPCS is a private, non-profit organization aimed at supporting pork exporters in overseas markets. Since pork processors and exporters in Brazil are also the poultry processors and exporters, ABIEPCS works jointly with ABEF, the poultry exporters association, in market promotion. They share the same offices and staff, but their market promotion budgets are separate. ABIEPCS' major goal is to develop new markets for Brazilian pork exports that are still highly concentrated in Russia. Pork exports are also concentrated among five major companies, which account for 72 percent of all exports (based on 2002 data): Seara (26%), Sadia (17%), Perdigao (14%), Pamplona (10%), and Frangosul (5%). The same concentration is true for the three most southern states of Brazil.

Market promotion programs developed by ABIEPCS include: trade servicing, participation in trade shows (principally FOODEX Japan, HOFEX Hong Kong, World Food Moscow, SIAL, and ANUGA Germany), display and sampling of products, sales catalogs in foreign languages, trade missions, reverse trade missions, and publicity. More recently, ABIEC jointly with the Brazilian Embassy in certain important cities of the world has innovated their programs by promoting Brazilian "barbecue" style (churrasco) for selected audiences. Brazilian "barbecue" style restaurants (churrascarias) are growing in different countries of the world, such as in the United States and China.

Target overseas markets include: Asia, the European Union, and other countries in Latin America. Since Russia became the largest importer of Brazilian pork, ABIEPCS is targeting Russian retailers in their promotional efforts to avoid the high cost of doing business in Russia through European trading companies.

## Policy

The same programs referred on pages 6 and 7 of this report apply to pork packers. In addition, pork packers can also benefit from a subsidized long-term credit program through the Ministry of Science and Technology (MCT) to finance projects aimed at genetic development and improvements in pork quality and carcass yields. Total funds allocated under this program for 2003/04 are estimated at US\$ 10 million.

## Tariff Rate Table

Tariff Number	Product Description	Rate (%) *	Other Info
0203.10.10 0203.20.10	Fresh or Frozen Bone-in Pork Cuts or Carcasses	10	Duty-free from Mercosul
0201.30.00 0202.30.00	Fresh or Frozen Boneless Pork	10	Duty-free from Mercosul
0206.30.00	Pork: Variety Meats	10	Duty-free from Mercosul
0210.11.00	Pork meat	10	Duty-Free from Mercosul
1602.40.00	Processed Pork Meat	16	Duty-free from Mercosul

- Assessed on the CIF value of the product
- Updated as of 9/1/2004

## PSD Tables

## Cattle Numbers

PSD Table Country Brazil Commodity Animal Numbers, Cattle (1000 HEAD)							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Total Cattle Beg. Stks	161463	161463	165492	165492	169583	169583	(1000 HEAD)
Dairy Cows Beg. Stks	32293	32293	33098	33098	0	33917	(1000 HEAD)
Beef Cows Beg. Stocks	45210	45210	46338	46338	0	47483	(1000 HEAD)
Production (Calf Crop)	44887	44887	46234	46234	0	47653	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL SUPPLY	206350	206350	211726	211726	169583	217236	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	1	0	0	0	0	0	(1000 HEAD)
TOTAL Exports	1	0	0	0	0	0	(1000 HEAD)
Cow Slaughter	12705	12705	12800	12800	0	13100	(1000 HEAD)
Calf Slaughter	900	900	900	900	0	900	(1000 HEAD)
Other Slaughter	20793	20793	22643	22643	0	24065	(1000 HEAD)
Total Slaughter	34398	34398	36343	36343	0	38065	(1000 HEAD)
Loss	6459	6460	5800	5800	0	5500	(1000 HEAD)
Ending Inventories	165492	165492	169583	169583	0	173671	(1000 HEAD)
TOTAL DISTRIBUTION	206350	206350	211726	211726	0	217236	(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

**Cattle Imports, Jan-Dec 2002-03 (1,000 head):**

Imports for:	2002	2003
U.S.	62	453
Canada	60	23
Paraguay	38,428	0
Uruguay	0	0
Total for Others	38,488	23
Others not Listed	0	0
Grand Total	38,550	476

**Cattle Imports, Jan-Jun 2003-04 (1,000 head):**

Imports for:	2003	2004
U.S.	150	0
Canada	23	0
Paraguay	0	0
Uruguay	0	532
Total for Others	23	532
Others not Listed	0	0
Grand Total	173	532

## Beef PSD Table

Country Brazil Commodity Meat, Beef and Veal (1000 MT CWE)(1000 HEAD)							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Slaughter (Reference)	34398	34398	36343	36343	0	38065	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	7385	7385	7680	7830	0	8222	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	63	63	70	55	0	63	(1000 MT CWE)
TOTAL Imports	63	63	70	55	0	63	(1000 MT CWE)
TOTAL SUPPLY	7448	7448	7750	7885	0	8285	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	1175	1174	1350	1470	0	1620	(1000 MT CWE)
TOTAL Exports	1175	1174	1350	1470	0	1620	(1000 MT CWE)
Human Dom. Consumption	6273	6274	6400	6415	0	6665	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	6273	6274	6400	6415	0	6665	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	7448	7448	7750	7885	0	8285	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	95	95	100	100	0	110	(1000 MT CWE)

**Beef Imports, Jan-Dec 2002-03 (metric tons):**

Imports for:	2002	2003
U.S.	25	11
Paraguay	26,980	31,424
Uruguay	16,220	6,950
Argentina	11,953	6,150
Total for Others	55153	44,524
Others not Listed	31	16
Grand Total	55184	44551

**Beef Imports, Jan-Jun 2003-04 (metric tons):**

Imports for:	2003	2004
U.S.	8	0
Paraguay	19,185	14,907
Uruguay	4,219	3,103
Argentina	3,117	2,985
Total for Others	26,521	20,995
Others not Listed	18	1
Grand Total	26547	20996

**Beef Exports, Jan-Dec 2002-03 (metric tons):**

Exports for:	2002	2003
U.S.	46,514	49,843
Chile	76,022	95,706
U.K.	77,659	88,570
Russia	39,061	83,658
Egypt	49,270	77,822
Saudi Arabia	45,094	46,318
Netherlands	40,347	43,919
Italy	30,673	36,224
Iran	8,375	35,616
Philippines	17,961	22,827
Israel	19,493	19,771
Hong Kong	14,129	19,261
Germany	15,027	17,820
Spain	14,409	16,021
Singapore	10,129	11,423
Total for Others	457,649	614,956
Others not Listed	76,801	119,553
Grand Total	580,964	784,352

**Beef Exports, Jan-Jun 2003-04 (metric tons):**

Exports for:	2003	2004
U.S.	24,725	24,254
Chile	42,418	52,295
U.K.	45,228	48,880
Russia	31,412	56,949
Egypt	41,578	66,806
Saudi Arabia	18,907	19,076
Netherlands	21,162	22,860
Italy	19,330	21,728
Iran	21,240	25,360
Philippines	13,001	14,429
Israel	9,012	13,519
Hong Kong	9,141	11,374
Germany	8,362	12,784
Spain	8,308	8,409
Singapore	5,315	6,146
Total for Others	294,414	380,615
Others not Listed	59,112	76,463
Grand Total	378,251	481,332

## Swine Numbers

Country Brazil Commodity Animal Numbers, Swine (1000 HEAD)							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
TOTAL Beginning Stocks	32655	32655	32081	32081	32075	32323	(1000 HEAD)
Sow Beginning Stocks	3000	3000	3010	3005	0	3010	(1000 HEAD)
Production (Pig Crop)	29716	29716	29194	30015	0	30465	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL SUPPLY	62371	62371	61275	62096	32075	62788	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	0	0	0	0	0	0	(1000 HEAD)
TOTAL Exports	0	0	0	0	0	0	(1000 HEAD)
Sow Slaughter	200	200	200	200	0	200	(1000 HEAD)
OTHER SLAUGHTER	28290	28290	27400	28373	0	28450	(1000 HEAD)
Total Slaughter	28490	28490	27600	28573	0	28650	(1000 HEAD)
Loss	1800	1800	1600	1200	0	1200	(1000 HEAD)
Ending Inventories	32081	32081	32075	32323	0	32938	(1000 HEAD)
TOTAL DISTRIBUTION	62371	62371	61275	62096	0	62788	(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

## Pork PSD Table

Country Brazil Commodity Meat, Swine (1000 MT CWE)(1000 HEAD)							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Slaughter (Reference)	28490	28490	27600	28573	0	28650	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	2560	2560	2485	2585	0	2640	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Imports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL SUPPLY	2560	2560	2485	2585	0	2640	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	603	605	425	570	0	580	(1000 MT CWE)
TOTAL Exports	603	605	425	570	0	580	(1000 MT CWE)
Human Dom. Consumption	1957	1955	2060	2025	0	2075	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	1957	1955	2060	2015	0	2060	(1000 MT CWE)
Ending Stocks	0	0	0	0	0		(1000 MT CWE)
TOTAL DISTRIBUTION	2560	2560	2485	2585	0	2640	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

**Pork Imports, Jan-Dec 2002-03 (metric tons):**

Imports for:	2002	2003
U.S.		
Italy	74	56
Spain	70	42
Argentina	2	25
Total for Others	146	123
Others not Listed	16	7
Grand Total	162	130

**Pork Imports, Jan-Jun 2003-04 (metric tons):**

Imports for:	2003	2004
U.S.		
Italy	28	22
Spain	14	17
Argentina	12	6
Total for Others	54	45
Others not Listed	4	2
Grand Total	58	47

**Pork Exports, Jan-Dec 2002-03 (metric tons):**

Exports for:	2002	2003
U.S.	0	0
Russia	363,394	301,315
Hong Kong	46,834	54,340
Argentina	9,521	29,335
Singapore	6,547	14,951
Netherlands	8,071	13,620
South Africa	44	8,014
Uruguay	5,868	7,963
Georgia	535	3,858
Albania	1,811	3,740
Haiti	682	3,699
U.A.E.	1,370	2,491
Bulgaria	661	2,277
China	1,089	2,080
Uzbekistan	0	2,030
Germany	1,478	1,688
Angola	1,169	1,643
Total for Others	449074	453,044
Others not Listed	4722	10871
Grand Total	453,796	463,915

**Pork Exports, Jan-Jun 2003-04 (metric tons):**

Exports for:	2003	2004
U.S.	0	0
Russia	138,985	130,063
Hong Kong	31,111	23,539
Argentina	14,297	11,721
South Africa	3,607	7,996
Singapore	5,966	7,083
Ukraine	0	4,437
Netherlands	8,929	4,109
Uruguay	3,524	4,030
Bulgaria	1,804	2,047
Albania	1,782	1,652
China	1,154	1,444
Georgia	2,464	1,400
Armenia	450	1,358
Lithuania	0	1,095
Angola	692	883
Total for Others	214,765	202,857
Others not Listed	7869	8332
Grand Total	222,634	211,189